

## **Report to Buxhall Parish Council**

### **The Internal Audit of the Accounts for the year ending 31 March 2018**

#### **1. Summary**

1.1 During the 2017/18 year the Council maintained effective governance arrangements including a robust framework of internal control. The Internal Audit review, undertaken on the documentation provided to the Internal Auditor and the information published on the Council's web-site, has confirmed the overall adequacy of the financial arrangements in place within the Council.

1.2 By examination of the 2017/18 accounts and supporting documentation it was confirmed that the Clerk, in the role as the Council's Responsible Financial Officer (RFO), satisfactorily undertook the administration of the Council's financial affairs and produced satisfactory financial management information to enable the Council to make well-informed decisions.

1.3 The Accounts for the year confirm the following:

*Total Receipts for the year: £7,214.60*  
*Total Payments in the year: £5,015.60*  
*Total Reserves at year-end: £110,569.68 (of which £107,569.68 is earmarked)*

1.4 The Annual Governance and Accountability Return (AGAR) was examined and the following figures agreed with the Clerk for inclusion in Section 2 (rounded for purposes of the Return):

<i>Balances at beginning of year (1 April 2017):</i>	<i>Box 1: £108,371</i>
<i>Annual Precept 2017/18:</i>	<i>Box 2: £4,002</i>
<i>Total Other Receipts:</i>	<i>Box 3: £3,212</i>
<i>Staff Costs:</i>	<i>Box 4: £2,319</i>
<i>Loan interest:</i>	<i>Box 5: £0</i>
<i>All Other payments:</i>	<i>Box 6: £2,697</i>
<i>Balances carried forward (31 March 2018):</i>	<i>Box 7: £110,569</i>
<i>Total cash/short-term investments:</i>	<i>Box 8: £110,569</i>
<i>Total fixed assets:</i>	<i>Box 9: £53,315</i>
<i>Total borrowings:</i>	<i>Box 10: £0</i>

1.5 Sections One and Two of the AGAR to the External Auditors are to be approved at a forthcoming meeting of the Council. The Internal Auditor has completed the Annual Internal Audit Report 2017/18 within the AGAR.

1.6 The following Internal Audit work was carried out on the adequacy of systems of internal control in accordance with the scope previously approved by the Council. Comments and any recommendations arising from the review are made below.

**2. Proper book-keeping (examination of entries in the Cash Book, regular reconciliation of books and bank statements and supporting vouchers, invoices and receipts).**

2.1 The Cashbook Spreadsheet is very well referenced and provides a good audit trail to the Bank Statements and Cheque Book counterfoils and the financial information prepared by the Clerk. These documents provided good evidence in support of the receipts and payments in the year. Supporting vouchers, invoices and receipts were in place.

2.2 No payments were made under the Local Government Act 1972 Section 137 in the year of account. VAT payments are tracked and identified within the End-of-Year Accounts.

2.3 A sample of Cash Book transactions in the year was closely examined and found to be in good order.

**3. Financial regulations and Standing Orders (examination of Financial Regulations and Standing Orders, Tenders where relevant, appropriate payment controls including acting within the legal framework with reference to Council Minutes. Identifying VAT payments and re-claims. Cheque books, paying in books and other relevant documents).**

3.1 Both Standing Orders and Financial Regulations were reviewed, amendments made and approved by the Council at its meeting on 4 December 2017. The Council confirmed the adoption of the revised Standing Orders at its meeting held on 12 March 2018 (Minute 2017/396 refers).

3.2 The Council's Minutes are well presented and provide clear evidence of the decisions taken by the Council in the year.

3.3 A claim for £1,266.80 for the VAT paid in the year 2016/17 was submitted to HMRC on 1 April 2017 and received at bank on 12 June 2017.

3.4 The Council is correctly registered with the Information Commissioner's Office (ICO) as a Data Controller for the provision of council services under Data Protection legislation (Registration ZA125286 refers, expiring 27 July 2018).

3.5 The Council agreed to adopt the revised Suffolk Local Code of Conduct at its meeting on 21 July 2014 (Minute 2014/523 refers).

**4. Internal Control & the Management of Risk (Review by Council of the effectiveness of internal controls, including risk assessment, and minuted accordingly)**

4.1 A review of the Council's governance arrangements and the systems of internal control was carried out by the Council at its meeting on 4 December 2017 (Minute 2017/265 refers). The Council considered that the internal controls in place were effective and no areas for development were identified. Risk assessment documentation is in place as part of the overall internal control and governance framework.

4.2 The Council confirmed its adoption of the Internal Control documentation at its meeting on 12 March 2018 (Minute 2017/397 refers).

4.3 It is recommended that during the year 2018/19 the Council should review its Internal Control and Risk Management documentation, including all risk assessments, to ensure that all is up-to-date and fit-for-purpose. This is particularly important in the light of the new General Data Protection Regulations which will come into force from 25 May 2018.

4.4 An independent Playground Inspection was undertaken in the year; the report was circulated to all Councillors and considered by the Council at the meeting held on 13 November 2017 (Minute 2017/204 refers).

4.5 Insurance was in place for the year of audit. The renewal quotation was considered and agreed by the Council at its meeting on 18 September 2017 (Minute 2017/155 refers) and the payment of £352.39 to Came & Company Insurance was approved by the Council on 13 November 2017 (Minute 2017/223 refers). Public Liability cover stands at £10m. The Employee Dishonesty (Fidelity Guarantee) cover stands at £150,000 and meets the current recommended guidelines which provide that the cover should be at least the sum of the year-end balances plus 50% of the precept/grants.

**5. Transparency Code** (Compliance for smaller councils with income/expenditure under £25,000)

5.1 Buxhall Parish Council is designated as a 'Smaller Council'. The Council's website is: <http://buxhall.onesuffolk.net>

Smaller authorities should publish on their website:

- a) All items of expenditure above £100  
Published – Yes
- b) Annual Governance Statement  
Annual Return, Section One  
Published (2017) – Yes

- c) End of year accounts  
Annual Return, Section Two  
Published (2017) – Yes
- d) Internal Audit report  
Annual Return Published (2017) – Yes
- e) List of councillor or member responsibilities  
Published – Yes
- f) Details of public land and building assets  
Published (2017) – Yes (requires up-dating)
- g) Minutes, agendas and meeting papers of formal meetings  
Published – Yes

5.2 The Council is meeting the requirements of the Transparency Code.

5.3 The Clerk/RFO reported to Council at its meeting on 18 September 2017 that the application for funding from the Transparency Code Fund had been successful and a grant of £473.24 was received on 16 August 2017 (Minute 2017/165 refers).

**6. Budgetary controls** *(Verification of the budgetary process with reference to Council Minutes and supporting documents)*

Precept 2017/18: £4,002.00 (16 January 2017, Minute 2016/992 refers).

Precept 2018/19: £4,023.50 (4 December 2017, Minute 2017/273 refers).

6.1 The precepts were agreed in full Council and the precept decision and amount has been clearly Minuted. The Clerk ensures the Council is aware of responsibilities, commitments, forward planning and the need for adequate reserves. Budget papers are prepared to ensure councillors have sufficient information to make informed decisions.

6.2 At its meeting on 4 December 2017 the Council resolved to transfer £600.00 from its reserves to lessen the impact of the increase in the 2018/19 precept to parishioners (Minute 2017/275 refers).

6.3 Good budgetary procedures are in place. Examination of the accounts and supporting documentation for the year under review confirmed that the Council prepared detailed estimates of the annual budget and of receipts and payments. The estimates can be used effectively for financial control and budgetary control purposes. The Clerk/RFO reports to Council on actual spending against the budget.

6.4 The Reserves available to the Council at the year-end were appropriate (total Reserves of £110,569.68, of which £107,569.68 are earmarked). As at the 31 March 2018 the Council maintained sufficient general reserves and contingency sums to meet, within reason, any unforeseen items of expense that may occur.

**7. Income controls**                    *(Regarding Precept and other income, including credit control mechanisms)*

7.1 Receipts recorded in the Cashbook Spreadsheet were cross referenced on a test-check basis to the bank statements and were found to be in order.

7.2 Allotment Rents were reviewed by the Council at its meeting on 31 July 2017 and agreed that the charge should remain as in the previous year (Minute 2017/137 refers). The Clerk/RFO provided regular reports upon allotment rent income in the year, including confirmation that rents had been received (meeting held on 15 January 2018, Minute 2017/304 refers).

7.3 An Allotments Register is in place and can assist the Council to ensure that the correct and full amount of income has been received each year in respect of Allotment Rents.

**8. Petty Cash**                        *(Associated books and established system in place)*

8.1 No Petty Cash is held; an expenses system is in place with supporting paperwork.

**9. Payroll controls**                    *(PAYE and NIC in place; Compliance with Inland Revenue procedures; Records relating to contracts of employment)*

9.1 The Council is registered with HMRC and Payroll is operated in-house in accordance with HMRC regulations. The P60 End of Year Certificate for the Clerk/RFO was presented to Internal Audit. Detailed pay slips are produced.

9.2 At its meeting on 15 May 2017 the Council agreed to increase the Clerk's hours by one hour per week (viz. 12 hours per month plus one hour per week extra) to be reviewed in six months' time (Minute 2017/069 refers). This additional hour would be used for up-dating the website (the Clerk would apply for funding from the Transparency Code Grant Scheme to cover the cost of this additional hour).

9.3 At the Council meeting on 18 September 2017 it was resolved to appoint the Clerk/RFO as a permanent employee and to offer the Clerk/RFO an allowance for working from home (Minute 2017/171 refers).

9.4 With regard to the legislation relating to workplace pensions, the Pensions Regulator confirmed on 15 August 2017 that the Council has completed a declaration of compliance under the Pensions Act 2008.

**10. Asset control & valuation (*Inspection of asset register and checks on existence of assets; recording of fixed asset valuations; cross checking on insurance cover*).**

10.1 The Asset Register was reviewed and approved by the Council at its meeting on 31 July 2017 (Minute 2017/135 refers). The Council demonstrated good practice by considering the insurance renewal quotations with the Asset Register at its meeting on 18 September 2017 (Minute 2017/155 refers).

10.2 The Register displays a total value of £53,315 (unchanged from the end of the previous year, 31 March 2017). The value has been correctly placed in Box 9 of Section 2 of the Annual Return (AGAR).

10.3 The Register complies with the current requirements which provide that each asset should be recorded at a consistent value, year-on-year. The Register records the original purchase cost, where known.

**11. Bank Reconciliation (*Regularly completed and cash books reconcile with bank statements*)**

11.1 The Clerk/RFO reported to Council at its meeting on 12 March 2018 that the Santander Bond of £100,000 was due to expire as at 1 April 2018. The Council considered the various options available and agreed to re-invest £85,000.00 (in accordance with FSCS) into a one-year fixed rate bond with Santander with the remaining £15,000 from the existing bond transferred into the Barclays savings account (Minute 2017/405 refers).

11.2 The bank statements for the Barclays Bank Accounts and the Santander investment reconciled with the End-of-Year accounts and Bank Reconciliation for all accounts. The cheque book counterfoils in respect of cheques from 100721 to 100780 were not available at the time of the audit.

**12. Year End procedures (*Regarding accounting procedures used and can be followed through from working papers to final documents. Verifying sample payments and income. Checking creditors and debtors where appropriate*).**

12.1 End of Year accounts are prepared on a Receipts and Payments basis and were in good order. Sample audit trails were undertaken and were found to be in order.

**13. Internal Audit Procedures (*That the Council has satisfactory internal financial controls in place and any previous recommendations implemented*).**

13.1 The Council has satisfactory internal financial controls in place. The Clerk provides financial reports to Council meetings, including bank account balances, and Councillors are provided with information to enable them to make informed decisions.

13.2 Cheque Book counterfoils and paid invoices/vouchers are initialled by cheque signatories and payments and receipts are listed in the Council's Minutes as part of the overall financial control framework.

13.3 The Internal Audit report for the previous year (2016/17) was reported to Council at its meeting on 26 June 2017 (Minute 2017/094 refers). The report had put forward the following recommendations:

- a) The Council should review the Receipts and Payments Account and make all necessary corrections to ensure that the Account accurately reflects entries in the Cash Book and the actual receipts and payments in the year. Any amendments made to the Account will need to be reflected in the entries in the Annual Return. This was completed.
- b) Financial Regulations should be up-dated during 2017/18 to include reference to the Public Contract Regulations 2015. This was undertaken in the year.
- c) The Council should confirm the current status of the Santander Bond. This was completed.

13.4 The Clerk/RFO reported the recommendations to the Council on 26 June 2017 (Minute 2017/094 refers).

13.5 The Council appointed the Internal Auditor for the 2017/18 year at its meeting on 15 January 2018 (Minute 2017/305 refers).

**14. External Audit (*Recommendations put forward or comments made following the annual review*)**

14.1 The Clerk/RFO reported to Council on 17 August 2017 that the External Auditors, BDO LLP, had raised the issue of an over-stated value in the Asset Register and it was agreed to make the necessary amendment to the Annual Return. At the meeting on 13 November 2017 it was reported that BDO LLP had concluded their review of the 2016/17 year and no further issues had been raised.

**15. Additional Comments**

15.1 The Annual Parish Council meeting was held on 15 May 2017, within the required time-scale. The first item of business was the Election of Chairman, in accordance with the Local Government Act 1972.

15.2 I would like to record my appreciation to the Clerk to the Council for her assistance during the course of the audit work.

*Trevor Brown*

**Trevor Brown, CPFA**

**Internal Auditor**

**20 April 2018**